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ECONOMIC DIGEST

DECEMBER, 1953 VOLUME VI NUMBER TWELVE

State Aid for Private Enterprise

BY PROFESSOR GEORGE A. STEINER (UNIVERSITY OF ILLINOIS)

'The seedbed out of which grew governmental programmes to socialise individual risks also produced growth of programmes to socialise entrepreneural risks. . . . Financial outlays in behalf of entrepreneurs exceed, in the aggregate, expenditures to individuals.'

NOTWITHSTANDING the long tradition of *laissez faire* in the United States, the Federal government, as well as state and local governments, have long socialised risks of business entrepreneurs.

This action has paralleled the increasing socialisation of individual risks. It cannot be said to be any less significant in causing the demise of *laissez faire* than government aid to individuals. It is altogether likely that financial outlays in behalf of entrepreneurs exceed, in the aggregate, expenditures to aid individuals.

It is well to point out that 'entrepreneurs', for purposes of this discussion, refers to all individuals engaged in business activity for themselves. The concept thus includes managers of giant corporations, who operate business on behalf of scattered owners, as well as individual proprietors of small businesses.

Principles of Intervention

Two interrelated causes underlie expanding government assumption of entrepreneural risks. One is promotional. It is the idea that government should aid enterprise because 'what helps business helps the nation'. The other is protective. It parallels the same sort of pressure on government which has produced expanding socialisation of individual risks. More and more entrepreneurs, over time, have become less and less willing to battle the impartial judgement of the market place and have put pressure on government to protect them from both justified and fancied economic risks.

The individualism of entrepreneurs, like that of consumers and workers, has become blunted under the impact of economic change. The commonly accepted picture of an entrepreneur is one who fearlessly risks his capital and labour in an uncertain market, who thrives on 'tough' competition, who strives to advance the technology at his command to outdistance his competitors in currying the favour of consumers, and who, by the skill of his managerial art alone, extracts a profit which is the true measure of his contribution to society. This picture is becoming less accurate as more

From Government's Role in Economic Life, McGraw Hill Book Company, Inc., New York, London, Toronto, Copyright 1935

businessmen seek more and more protection from government in maintaining their competitive position.

Increasing pressures for government protection of entrepreneurs from market risks necessitate some changes in concepts of security. Security for entrepreneurs in the liberal tradition was essentially an environmental certainty. This was also true of individual security. It was security in a knowledge of protections of property rights and contract rights; the assurance that rewards would be commensurate with the risks taken; the absence of destructive competitive forces which could smite mortally a businessman, irrespective of his efficiency, and quite beyond the hazards of new inventions and innovations introduced into the market by competitors; the absence of arbitrary government interferences; and, altogether, assurances that the 'rules of the game' under which he operated would not change quickly, arbitrarily, and unjustly to his disadvantage.

But changes in economic life have created more uncertainty in entrepreneural environment and multiplied the 'rules of the game' to the point where threats to business existence were not only superior competitors or a fickle consumer change in desires, which were accepted business risks, but something else over which the entrepreneur had no control.

Entrepreneurs have sought security through government action to raise the plane of competition, restrain monopoly, curb unreasonable exercise of labour-union power, stabilise the economy at the signs of serious deflation, provide certain types of risk capital, and support income.

The last point has special reference to the farmer, but businessmen also have sought income protection (*e.g.* tax rebates for income losses suffered in the reconversion period following World War II).

How Support Developed

In a fundamental sense, even in a laissez-faire political economy, government protects entrepreneurs in a number of rather elemental ways. The promotion of political and social order, protection of property rights, enforcement of contracts, development of bankruptcy laws, and the authorisation and protection of patent grants all serve to protect entrepreneurs.

Over a long period of time other programmes have been developed of a different character. Outstanding are financial aids, protection from monopoly, and protection from competition.

First are financial aids to entrepreneurs. Financial aids may take a wide variety of forms, of which three have been outstanding. They are subsidies, loans, and guarantees of loans, and income supports. These in turn take on a variety of forms limited only by the imagination of legislators and the justification for extension of aid.

Subsidies to business enterprise have traditionally been used to promote and protect entrepreneurs. Subsidies extend back to early protective tariffs, through the largesse extended to early railroad builders and the development of the merchant marine, on to the development of the air lines today.

The methods by which subsidies have been and are extended include: direct grants to cover operating deficits; protective tariffs; grants of public land; grants of operating equipment (e.g., aircraft to air lines); mail subsidies; tax rebates; tax amortisation; and benefit payments

(*e.g., to agriculture for undertaking soil-improvement programmes.*)

Loans and guarantees of loans are a method extending back to early aid to railroads. This may take the form of contributions to capital, guarantee or endorsement of securities of the business aided, subscription to and purchase of securities, and the making of unsecured loans.Such activities are really big business today.

Government support of a level of income is classically illustrated in the agricultural programme launched in 1933. A great many of the individual programmes associated with Federal agricultural policy are directed at maintaining the level of agricultural income.

Indirect Aids

The above financial aids are what might be called direct. But business enterprise has benefited by a variety of indirect financial aids of one sort or another. International air carriers, for instance, receive indirect financial aids of the following sort: construction and maintenance of airports and terminals, government aeronautical research and developmental work, government-sponsored training of pilots and other flight personnel, and maintenance of various types of communication aids. In a variety of other but comparable ways, such indirect financial aids have been extended to other entrepreneurs.

Second, the Federal government from the passage of the Sherman Anti-trust act in 1890 has sought to protect entrepreneurs from the exercise of monopoly power by competitors. It is not so much the detail of this experience as the fact that fits in the present discussion.

Third, the Federal government as well as state and local governments have protected entrepreneurs from competitors. At the Federal government level there are many illustrations, a few of which are the Miller-Tydings Act of 1937, which legalised resale-price-maintenance programmes; the National Industrial Recovery Act, which was a device to stifle competition; and the Webb-Pomerene Export Trade Act of 1918, which permitted exporters to cartelise to protect themselves from foreign competitors. Here, too, might well be included tariff protections, protections to the competitive position of agriculture, and the shield against competitors extended to semi-competitive monopolies in the transportation field. Here again the fact is more significant at this point than the detail.

The issue here is not whether such programmes are justified or unjustified. Some of them unquestionably have been essential and wholly beneficial to the entire society; some of them have been of questionable value to the public interest. Certain types of entrepreneurs have benefited by such programmes more than others. *But the outstanding fact is that entrepreneurs as well as individuals have with strong and insistent voices called for government help in promoting their interests and in getting protection in the pursuance of their interests.*

It is difficult to envision the scope of all these activities of the Federal government which may appropriately be associated with socialisation of individual as well as entrepreneural risks, but it may be that the total volume of loans and guarantee of loans of agencies extending financial aid to individuals and entrepreneurs exceeds by a large margin the $100,000 million mark.

Sterling Convertibility

1954 — Year of Decision

DURING the next twelve months the attempt must be made, if it is to be made at all, to bring the convertibility plan down out of the rather rarefied and academic atmosphere in which it is now floating.

Just how the ensuing twelve months will work out in terms of dates and programmes is something which many people in the world's capitals must be wondering.

The bindings of tariffs under G.A.T.T. will last, with the year's extension, until the end of 1954. These 'bindings' would not be of great assistance if they had to be renewable every year, and it must be presumed that it is hoped that before the end of 1954 an extension on a less temporary basis will be possible. An extension of this kind would require a full-dress meeting of G.A.T.T. in the autumn of 1954, but this will not be possible unless it is assumed also that the United States Congress will have passed a new Reciprocal Trade Act before it adjourns.

A Tight Schedule

Yet a new Reciprocal Trade Act is unlikely to be drafted until the Randall Committee has presented its report. That report is scheduled for completion in March next year, but experience suggests that it may be a little later. This certainly makes a tight schedule. It will leave only three to four months for the Randall Committee report to be considered, for policy to be formulated, and for a new Reciprocal Trade Act to be drafted and go through all its stages in Congress.

£ $

This item, from an English source, emphasises the argument of the Guaranty Trust of New York in last month's Economic Digest. The conclusions here presented are preceded by a substantial argument in the original article

$ £

September 1954 in Washington

The other indication that 1954 is expected to be a year of decision was the choice of Washington once again as the venue for the meetings of the International Bank and I.M.F. next year. It is unusual for these meetings to be held for two successive years in the same place, and the decision is the more significant because it was made at the urgent insistence of the United Kingdom. The annual meetings of these two institutions, at which all the governors—who are generally the Finance Ministers of the countries concerned—are gathered together and are attended by strong bodies of expert advisers, are clearly the most appropriate occasions for the discussion of matters of high international financial policy.

Moreover, both institutions would have their part to play in any plans for making sterling and other currencies convertible. It is known to be a part of the British convertibility plan that the resources of the International Monetary Fund should be extended so that the fund could play a greater part in offsetting those short-term movements of money between one country and another which might follow convertibility.

From The Times Review of Industry, London, October 1953

The part which the International Bank would play would be less direct; but the prospect of international lending and investment on a healthy scale, especially on the part of the United States, is regarded as an essential part of the general background without which the convertibility of sterling could not proceed. In this field the International Bank naturally has an important role.

Thus it seems probable that the most important stage of the negotiations over convertibility may take place at or in conjunction with the Bank and Fund meetings in Washington next September. It seems safe to prophesy that Mr Butler, who found himself too pressed by other matters to attend these meetings in either 1952 or 1953, will—if he is still Chancellor of the Exchequer—go to them in 1954.

What happens meanwhile? The idea that virtually nothing of consequence can be decided in the international economic field until next March at the earliest, when the Randall Committee is due to report, has become commonplace. But the United Kingdom cannot, after all, be a passive spectator.

The Government have a plan of their own to press; in certain ways they have not so far been too successful in pressing it. The difficulty lies in the fact that some temporary halfway house will be necessary between the present position of a substantially inconvertible sterling with discrimination against the dollar and other hard currencies, and the final objective of convertibility and non-discrimination.

The British convertibility plan is a little difficult to follow with its various formal 'stages' and its large apparatus of technical monetary detail. But the general nature of the final stage and the half-way stage are clear enough. The final stage involves convertibility of sterling, and no doubt of some other European currencies, coupled with the elimination of quantitative restrictions on trade, whether with the dollar area or with anybody else, under the aegis of the G.A.T.T. organisation.

It is clear that the attainment of this ideal depends entirely on American policy. It is also clear that if it can be attained there is nothing in it that the United States would wish to argue about. But the ideal cannot be attained without an intermediate stage, and it is this intermediate stage that raises the difficulties.

U.K. Plan's Poor Reception

According to the ideas which have been developed by the United Kingdom Government, this intermediate stage would be a stage in which sterling would be convertible, in which sterling and any other convertible European currencies would no longer participate in the European Payments Union, but in which the scheme for liberalisation of trade operated through the organisation for European Economic Co-operation would still remain in being. In quantitative controls over trade, discrimination would still be exercised against the dollar area even though sterling as such would be convertible into dollars. Non-discrimination in monetary exchange would go hand in hand with trade discrimination, and in the first place, at any rate, the removal of trade controls would still remain primarily within European limits.

The idea of this intermediate stage has not been well received by anybody. To the Americans a scheme which still involves discrimination

against dollar imports and dollar expenditure naturally has little appeal. To many European countries it seems it has still less appeal. Some of them feel certain that they would inevitably lose gold to Britain and to other countries with convertible currencies, and that they would therefore be compelled to restrict their imports of goods and services from the convertible countries.

The United Kingdom Government, *per contra*, think that there would be a tendency for other countries to discriminate against the convertible countries, possibly even in order to gain gold and convertible currency, and accordingly they would want to see the continuation of a trade liberalisation scheme which would in effect guarantee that the convertible countries would not suffer from discrimination against themselves.

The cleavage of opinion, and no doubt of practical interest also, is wide. The discussions which Britain has had with each of the European countries concerned have not served to narrow the gap appreciably, and the gap will be hard to bridge. It is certainly remarkable to see, considering how sustained was the clamour for the convertibility of sterling over so many years, how little the prospect of it seems to be liked the moment it becomes a practical possibility.

There is no easy way around these difficulties. But it is clear that the United Kingdom and the Commonwealth will not be handed a clear route to convertibility on a plate.

It will be necessary to try hard both by argument and by example to persuade the United States to follow a policy which will make the convertibility of sterling and non-discrimination possible to maintain; and the pressure must be exerted, clearly enough, while the Randall Committee is sitting so that the British point of view is made clear to that committee's members. For there is no doubt that the Randall report will influence Congressional and public opinion profoundly, even though that opinion will have to be reckoned with as a separate force.

The plan for the intermediate procedure *en route* to convertibility will also have to be campaigned for in Europe. The forthcoming Commonwealth economic conference, at which, no doubt, the reception of the Commonwealth plan by the United States and the European countries will be fully discussed and the next steps fully debated, will itself have some importance in this context. Meanwhile the year that lies ahead will be a period for the formulation and negotiation of policy changes, but not for the changes themselves.

Correction: 'The Truth About Britain's Increased Productivity', October number 1953 of ECONOMIC DIGEST, page 465. A letter from the Information Division of the Treasury regrets two errors in the Table included in this article, prepared by them and reproduced by us. The letter says: 'In the column for Volume of Exports, 2nd Quarter (*a*) For Engineering, etc. a figure of —10 has been given instead of the sign ... (there being no figure for this group); (*b*) For other metal goods a figure of —19 instead of —10'.

Keynes—and Keynesians—on Costs and Controls

BY PER JACOBSSON

IN THEIR disparagement of orthodox views, many so-called Keynesians have gone much further than Keynes himself ever did, even in the mid-1930's when he published his *General Theory of Employment, Interest and Money*.

This is particularly the case with regard to the question of *costs*.

It is often said that economists used to lay too great a stress upon changes in cost, while unduly neglecting the importance of changes in effective demand. The stress which Keynes, on the other hand, laid on the dangers and difficulties which might result from a *deficiency in the volume of monetary demand* doubtless represents one of his main contributions to the theory of economics, and this stress was certainly most appropriate in the midst of the great depression.

But it would be a mistake to believe that because of this timely preoccupation with the volume of demand Keynes regarded the relation between costs and prices as of only secondary importance.

In *The General Theory*, it is evident that one of his main concerns is to bring about a balance between costs and prices. He knows full well that the entrepreneurs will expand their production only when their costs are covered by the prices paid for the goods they produce—this being in fact the basic principle of the free-economy system in which Keynes believed.

Keynes wrote his book, at a time when almost everywhere prices had been falling more sharply than ever before in peace-time, with the result that entrepreneurs in general were having difficulty in covering the costs of production. No wonder, therefore, that he regarded the restoration of a proper relationship between costs and prices as the primary task.

Limits of Wage Stability

For him the right way of achieving that goal was to raise prices by expanding monetary demand, and he believed that this mode of procedure would be effective because he considered that, in general, workers would remain satisfied with their existing money-wage rates even if prices rose somewhat. On page 289 he expressly considered the case of increasing employment when, up to a point, 'the decreasing return from applying more labour to a given capital equipment has been offset by the acquiescence of labour in a diminishing real wage'.

The followers of Keynes do not always make sufficiently clear their master's views on the relationship between costs and prices and the stress which he laid on the need for accepting, at least temporarily, a somewhat lower *real* wage if a depression is to be overcome.

There can be no doubt as to the key position occupied in Keynes's *General Theory* by the workers' acceptance of relatively stable *money* wages. Indeed, according to Keynes's sys-

From Review, Skandinaviska Banken, Stockholm, October 1953

tem, it is the stability of money-wage rates which gives stability to the value of money, and ensures that, once a depression has set in, a policy of full employment can be considered a practical possibility.

As already stated, Keynes seems to have thought that, while workers will strongly resist any reduction in their money-wage rates, they are likely to acquiesce in a continuation of the existing rates as long as there is no appreciable rise in the cost of living. Whether this is a realistic view at a time of strong labour-union influence is another matter; nowadays, the workers follow closely the month-to-month changes in the cost-of-living index.

Techniques of Balance

Keynes himself did not rely on 'controls' to achieve the objectives he had in view—the word 'control' does not appear at all in the index to the *General Theory*. As has already been pointed out, his system took shape in the midst of the great depression, *i.e.* at a time when mass unemployment was likely to act as a deterrent to any sharp increases in money wages. But whatever may be the influences affecting the earnings of labour, it is important to remember exactly what Keynes's attitude was in this matter.

Clarity on this point is particularly desirable, for if there should be another considerable decline in business activity, it is to be expected that the authorities would then intervene in order to counteract any marked increase in the unemployment figures. Quite properly, attention would then be directed again to the need for maintaining the volume of effective demand—and it is probable that once more the suggestion would be heard that the best way of keeping up demand is to increase money wages.

The adoption of such a suggestion would, however, be contrary to Keynes's recommendations. His main concern was to restore a proper balance between costs and prices, and he wanted this to be done by means of an increase in the demand for goods and services brought about in ways which would not lead to an increase in costs. In other words, he considered that balance could best be restored by an expansion of credit not accompanied, while the depression remained acute, by any increase in money wages.

Distorted Views

When interested parties quote Keynes in support of the policies which they wish to see pursued, there is a danger that those elements of his system which appear particularly attractive (for instance, the expansion of credit) will be emphasised, while other elements (such as the moderation in the raising of wages) are conveniently forgotten.

One may ask why so many of the latter-day Keynesians are apt to disregard the need for a balance between costs and prices. One explanation may be that they have become so preoccupied with the maintenance of effective monetary demand, especially demand for consumer goods, that this consideration takes precedence over everything else. They are thus inclined to look upon a redistribution of income in favour of the wage-earners precisely from the point of view of the sustaining effect which it is believed to have on the volume of domestic demand without paying adequate attention to the effects of an increase in the cost of production on the remunerativeness of business.

In the U.N. report on *National and International Measures for Full Employment*, there is not the slightest hint of the possibility that a deficiency of 'savings' (as distinct from monetary demand) might force the individual countries to restrict the volume of investment and that this might cause a considerable reduction in the volume of employment.

In the great depression of the 1930s it might have been permissible to assume that an increase in the national income brought about by a vigorous credit expansion would itself, up to a point, lead to an increase in saving, but even at that time there were countries which had to obtain capital from abroad. An examination of the records of the past reveals that there have never been more than six or seven countries possessed of a sufficiently strong flow of savings to be able to make net foreign investments.

It is important in a depression not only to avoid measures which increase the costs of production but also to refrain from any action which would weaken the will to save. This is especially true from the point of view of labour: for it is, in particular, when a large volume of investment is based on genuine savings (inflation having been avoided) that a rise in money wages can lead to an improvement in real wages.

Imported Depression

The reasoning in *The General Theory* is based on the premise of a 'closed economy' and consequently no particular attention is devoted to the problems which arise when a depression is 'imported' from abroad. The 'international complications' which could result from Keynes's employment policy are not examined at all in this work.

Now that a return to currency convertibility is beginning to come within the sphere of practical politics, the need for strengthening the liquidity of the international monetary system is very real. Certain international aspects of the policy of employment have been considered by a second group of United Nations experts, which published their report in 1951. In general, their analysis of the problems involved has been regarded as more realistic than that of their predecessors.

Now, however, a further stage has been reached. The present need is not so much for expert investigation as for a consideration by the competent authorities in the different countries of what practical steps can be taken to ensure a higher degree of monetary and economic stability than the world has enjoyed during the nearly forty years which have passed since the outbreak of the first world war.

Keynes Changed his Mind

For some years after the crisis of 1929 Keynes was most concerned lest his country should once more find itself tied to the volatile economy of the United States, but during the war he would seem to have changed his mind, and in his famous article in *The Economic Journal* published posthumously in 1946 he appeared more ready to accept the implications of an international monetary system and of multilateral trade. This change of attitude was no doubt due to a belief that the United States had become more willing and more able than had previously been the case to keep its domestic economy reasonably stable and to pursue a less restrictive policy with regard to foreign trade.

While in *The General Theory*

Keynes considered only the case of the 'closed economy', he dealt at length with the problems of international relations in the article (just referred to) on *The Balance of Payments of the United States*, published two months after his death.

It was during the negotiations which he conducted with the United States in the years 1942 to 1945 that Keynes became more and more interested in the questions of foreign trade and international settlements; and as is well known he came to take a distinctly optimistic view of the prospects of establishing and maintaining a lasting equilibrium between the United States and the rest of the world. Naturally, he looked around for safeguards which would increase the chances of a safe return to multilateral trade, and in this connection he referred particularly to the Bretton Woods institutions, with the establishment of which he had been so closely connected.

Heart not in Controls

Essentially, however, his faith was founded on the view that 'there are in these matters deep undercurrents at work, natural forces, one can call them, or even the invisible hand, which are operating towards equilibrium'—and here again he turned his attention to the probable development of 'demand' and of 'costs'. Pointing especially to the fact that 'the United States is becoming a high-living, high-cost country beyond any previous experience', he asserted that this state of affairs would make it possible for the classical medicine to take effect, and in this medicine he would naturally include the ordinary means of monetary policy.

He did not exclude other measures: he admitted that one would 'need quicker and less painful aids of which exchange variation and overall import control are the most important. But in the long run these expedients will work better and we shall need them less if the classical medicine is also at work.' *His* heart was not in controls; he remained all his life a believer in the advantages of an economy in which individual initiative and private enterprise would be able to make their valuable contributions.

It is not the purpose of this article to discuss what should be done to prevent a recurrence of mass unemployment. There is not just one remedy but several, depending upon the nature of the unemployment in each particular case. It should, at all events, be recognised that the world will never again tolerate unemployment on anything like the scale of that which was such a terrible scourge during many of the years of the inter-war period.

Justice to Keynes

It should also be recognised as important that the opinions expressed by such an influential economist as Keynes should be properly interpreted in order to avoid grave misconceptions regarding the policies which he advocated. This is all the more important now that the long drawn-out post-war inflation is at last becoming a thing of the past and that policies, therefore, have to be based once again on the assumption that the value of money will remain relatively stable.

I Told You So!

BY THE RT HON. LORD BEVERIDGE, K.C.B.

THE Beveridge Report on Social Insurance and Allied Services is already nearly eleven years old. The two National Insurance Acts of 1946 which with a few differences gave general effect to the Report, have been in operation for more than five years. The working of these Acts is likely to be much under discussion in the coming year.

For one thing the Government have realised the growing burden which provision for old age is likely to place upon the country in view of the growing proportion of older people in the population. On its present basis, the National Insurance Fund has shown a small surplus of income over expenditure. From next year onwards it will have expenditure in excess of income, the deficit rising rapidly until twenty-five years hence it is expected to be more than £400 millions a year.

Burden of Pensioners

There is nothing surprising in this; it was all foretold in the Beveridge Report which, as one way of lightening the burden, proposed that pensions henceforth should be paid only on retirement from regular work and that inducements should be given to postpone retirement.

For another thing, under section 40 of the National Insurance Act of 1946, the Government are required next year to review all rates of benefit in relation broadly to the cost of living and to changes to the cost. It is clear already that, through the continual rise in the cost of living, all benefit rates other than those for industrial injury are below subsistence level. They will be faced by the need either to abandon the subsistence principle in social insurance—the central and most popular feature of the Beveridge Report—or to find somehow from general taxation or by raising insurance contributions—very large additional sums for social insurance. The sum involved might be £150 millions or even more.

Rotting Value of Money

This problem also is not unexpected. It was discussed in 1944 in *Full Employment in a Free Society*. There the possibility that full employment might lead to a spiral of rising prices destroying the value of money was faced frankly.

There is no inherent mechanism in our present system which can with certainty prevent competitive sectional bargaining for wages from setting up a vicious spiral of rising prices under full employment. The remedy does not lie in going back to unemployment; it must be found by re-examining our present machinery for determination of wages. For each industry to insist under full employment on fixing its money wages for itself without reference to any authority of wider scope, threatens by competitive raising of wages to destroy the value of money. Old ways of thinking and acting are being applied to new conditions in which they can lead only to disaster.

* * *

The Beveridge Report of 1942 on Social Insurance was not a plan of the State doing everything for everybody. Its aim was by State action to

From Address, National Union of Manufacturers, London, October 15, 1953

establish a minimum below which no one need fall, and by avoiding means tests to leave all men free and responsible for planning and managing their own lives above the minimum. It did not assume or suggest that individuals need do nothing to help one another. It was followed only a few years later by another book on Voluntary Action, illustrating how much would remain to be done by self-help and by mutual help to make the kind of society we all desire.

VENEZUELA'S AGRICULTURAL BANK

THE Agricultural and Livestock Bank of Venezuela, founded in 1928 as an official agency of the Government, initiated its activities with only 30 million bolivares. Now twenty-five years later, it has a capital of 177 million bolivares ($53 million). But in between these two dates, the Bank saw some hard times. From 1930 to 1936 its activities were almost completely paralysed for lack of capital and the difficulty of making collections. Since then the Bank's by-laws have been modified several times so as to expand its operations and to facilitate the granting of credits. Last year, a new contribution of 12 milllion bolivares ($3.6 million) from the state greatly helped the Bank to widen its field of operations.

During the last four years, the Agricultural and Livestock Bank has granted loans on an annual average of 100 million bolivares ($30 million). These loans go for such things as agricultural machinery, land improvement, seeds and many other items.

The savings department of the Agricultural and Livestock Bank have been constantly growing, and at the present time, savings deposited with the Bank by 50,000 persons amount to 80 million bolivares ($24 million).

The Bank also undertakes to buy certain agricultural products. This practice originated in 1939, when the European markets were lost to exports of Venezuelan coffee and cacao. To some extent, the coffee industry in Venezeula was saved by this procedure, as the Bank bought the entire 1941-42 and 1942-43 export crops. Since then, no more coffee has been bought, as exports have again picked up. Today, the Bank will buy the entire domestic production of paddy rice, then mill and store it and undertake its distribution throughout the country as the necessity arises. In 1952, the BAP bought 35,863 metric tons of rice. Also bought on a large scale are cattle for slaughter and, to some extent, slaughtered animals dressed for food. Around 200 head of cattle are slaughtered daily in the Bank's Maracay plant and sent to metropolitan Caracus and Aragua State. Last year 28,947 head were bought at a cost of 11,700,000 bolivares, as well as 2,952 metric tons of meat for sale, costing 7,400,000 bolivares.

Recently the Bank undertook to buy the entire crop of tonka beans. One other important crop bought in quantity by the Bank is cotton.

The Bank is today the exclusive importer of rice and sugar, but from time to time it imports other items. It owns 200 other installations such as a network of silos, rice drying plants, slaughter houses, cold storage depots and warehouses, as well as a fleet of trucks.

From Venezuela Up-to-date, Venezuela Information Service, September 1953

Adequacy of Monetary Reserves

Conclusions of Important I.M.F. Study

THREE points must be taken into account in any discussion of the adequacy of monetary reserves:

(1) Monetary reserves are meant to take care of swings between favourable and unfavourable payments positions. They are meant to cover recurrent balance of payments deficits that are temporary in character. No amount of monetary reserves is sufficient to finance a permanent disequilibrium in a country's balance of payments.

(2) The magnitude of the monetary reserves of a given country tends both to affect and to be affected by that country's domestic fiscal and monetary policies. The interaction between reserves and policies is stronger, the more important the role played by external trade in the economy of the country concerned. Rigorous fiscal and monetary policies tend to increase monetary reserves; strong reserve positions make the relaxation of fiscal and monetary policies possible. When world inflationary and world deflationary forces are in balance, this interaction is beneficial and helps both to promote sound policies and to achieve and maintain a viable distribution of monetary reserves throughout the trading world. When world inflationary forces are in the ascendancy, substantial accretions to world monetary reserves tend, through their interactions with policy, to increase these forces. The foregoing should not be taken to imply that increases in reserves are *per se* undesirable even during periods of world inflation. Countries should be on guard in such situations, however, against relaxing their fiscal and monetary policies so far as to intensify domestic inflationary pressures.

(3) A world-wide distribution of monetary reserves in accordance with the apparent need for them is incompatible with the yet more fundamental consideration of the distribution of the real resources of each country in accordance with the highest priority for their use. If the monetary reserves of the world were completely redistributed in accordance with apparent need, they would soon be re-redistributed, as each country would soon (quite properly) rearrange the changed amount of real resources at its disposal in accordance with its scale of preferences. In such a re-redistribution, wealthy or less dynamic countries would soon reacquire reserves which they either desired or merely accepted passively, but which, in any event, they could hold without sacrificing other deeply felt needs, while poorer or more dynamic countries would soon dispose of part of their newly acquired reserves in exchange for other types of real resources which they needed more urgently.

It is a corollary of the first of these points that the subject of reserve adequacy can be discussed meaningfully only on the assumption that countries which have not already done so adopt policies adequate to balance their accounts over a normal economic cycle. Upon the assumption that countries adopt such policies, the following four categories or standards of reserve adequacy are distinguished:

From I.M.F. Staff Papers, Washington, October 1953

(a) Enough to enable a country in bad years, by resort to restrictions, to maintain its external debt payments and to purchase the goods and services necessary to avoid hardship to its population or dislocation to its economy and the possible emergence of an exchange crisis, i.e., to permit a reasonable distribution over *time* of the payments which it can afford to make over the entire cycle;

(b) Enough to maintain currency convertibility, barring a severe depression, but with occasional necessity to resort to trade and exchange restrictions for balance of payments purposes;

(c) Enough to maintain currency convertibility, barring a severe depression, but without the necessity for occasional resort to trade and exchange restrictions;

(d) Enough to maintain currency convertibility, even through severe depressions (but not through prolonged periods of international deflation such as occurred in the thirties), without either the necessity for occasional resort to trade and exchange restrictions or the necessity for resorting to domestic deflationary policies for the purpose of restraining imports, even if this involves a substantial drain on reserves.

The determination of the 'adequacy' category into which any country falls, assuming that it meets the fundamental condition of payments balance over a normal cycle, is a matter of judgement. It is probable, however, that almost all countries, assuming the adoption of appropriate policies, would qualify for category *a*, many would qualify for category *b*, some would qualify for category *c*, and a few would qualify for category *d*.

In determining the adequacy category into which any country falls, account should be taken of the availability of the resources of the Fund to extend temporary assistance to member countries which have achieved a fundamental payments balance. The provision of funds for the objectives indicated above—i.e., the avoidance of sharp declines in imports not required by a country's fundamental payments position, the maintenance of currency convertibility, and the avoidance of restrictions—is in accordance with the purposes of the Fund. Assistance from the Fund in carrying out these purposes should, therefore, enable member countries to meet their reserve needs more effectively than would be possible on the basis of their own reserves alone. The role of the Fund in times of depression presents special problems which will now be considered.

Reserves to combat depression

None of the adequacy categories just discussed implies that a country would be able to endure a prolonged period of world deflation without the imposition of exchange restrictions implying at least a severe limitation on convertibility. However, as has already been suggested, this would scarcely be a fair test of reserve adequacy. Just as, at one end of the spectrum, the subject of reserve adequacy does not become relevant unless the country itself is pursuing appropriate policies, so, at the other end, no country can be expected to maintain reserves sufficient to sustain free and nondiscriminatory multilateral trade in the face of world-wide deflation.

The experts' report, *Measures for International Economic Stability*, assumes that protracted depressions will be avoided by appropriate domestic measures, but that the U.S. economy,

even on the assumption of a fairly rigorous anti-deflationary policy, is subject to short, sharp shocks, during which the rest of the world would need substantial reserves in order to maintain domestic anti-deflationary policies and a volume of imports from the United States corresponding to such policies, and thereby prevent the spread of the depression. The experts estimate that, in the event of a depression in the United States lasting for two years from its inception to its conclusion and involving a fall in industrial production of the same relative magnitude as that which occurred in the depression of 1937-38, the rest of the world would need to draw on its reserves to the extent of $8 billion to maintain its commodity imports from the United States at the level of those in the first half of 1951. To this, the experts add another $2 billion to cover anticipated accompanying declines in invisible current account payments by the United States and in private long-term capital outflow from the United States, and come up with an estimate that a total drain of $10 billion on reserves would be necessary to prevent the spread of a depression of the assumed magnitude. There is some reason to suppose that the assumptions of the experts may be unduly pessimistic. But they will not be investigated here, as no quantitative criticism of them would alter the conclusion of this paper that reserves are not, in general, adequate for combating the spread of a severe depression.

Anti-Depression Programme

There are two essential questions implicit in the experts' report: (1) What actions in the field of monetary reserves should be taken *now* to prevent the spread of future depressions? (2) What actions should be taken when and if a depression starts?

In regard to the first, it would appear desirable for countries to increase their reserves to the extent that is possible and consistent with a progressive relaxation of trade and exchange restrictions and the maintenance of internal financial stability.

When analysis shows clearly that a depression is developing, it should be dealt with promptly by measures directed toward the maintenance of an adequate level of effective demand. Demand should, of course, be maintained on both the national and the international level. The measures taken to ensure its maintenance should be primarily positive, and not merely defensive, in character. The essentially defensive character of supplementary reserves obtained with firm assurances of repayment in the short-term or medium-term future has already been pointed out. Defensive measures are important, however; and, in order to prevent small depressions from growing into large ones, such supplementary reserves should be supplied early, on liberal terms, and in adequate amounts. In the event of a severe depression, additional means for maintaining demand at the international level might be required, and it may be expected that the Fund would consult with its members on the desirability of additions to its resources and would consider possible changes in its modes of operations to meet the emergent situation. But primary reliance for the avoidance and cure of depressions must be placed upon appropriate measures at the national level, especially in industrial countries.

The study from which these conclusions are taken is important and is made available '*For Reference*' *on page* 564.

Achievements of Monetary Discipline

BY E. M. BERNSTEIN
Research Director, International Monetary Fund

CHANGES that have occurred in the world economic situation since 1950 and 1951 are striking.

While these changes have occurred in a period when there was a revival in the use of monetary policy, it is not possible to attribute all the changes that have taken place to the use of such measures.

The boom in raw materials prices that began with the Korean War would in any case have come to an end when there was wider realisation that the fears of raw material shortages were unfounded. The large dollar deficit of July 1951 to June 1952 would sooner or later have had to be reduced, since countries could not continue to draw down reserves. Nevertheless, monetary policy prevented even greater distortions and facilitated an orderly return toward stability.

Weapon in Action

Without imputing entirely to monetary policy the greater internal and external stability of the past two years, it is worth noting what these achievements are. Wholesale prices reached a peak in most countries from March 1951 to January 1952 and have since receded nearly everywhere. In general, the turning point came earlier in the raw materials countries with sound monetary policies and in the industrial countries that took strong measures to restrain credit in 1950 or very early in 1951. The turning point came later in countries heavily dependent on imports, in which domestic prices lagged behind spot prices of foodstuffs and raw materials in export markets. The turning point also came later in industrial countries that delayed taking action to restrain credit until the summer of 1951 or later.

The relation of monetary policy to the payments position of countries is equally striking. The rest of the world paid $2,700 million of their reserves to the United States from July 1951 to June 1952. It could add only $2,100 million to its reserves as a consequence of transactions with the United States from July 1952 to June 1953, including American aid. Raw materials countries that applied restraining monetary policies in 1950 and 1951 were able to retain a considerable part of the reserves they accumulated during the boom. Industrial countries with effective monetary policies were able to build up reserves during the period of the Korean boom and to retain these reserves after the boom had terminated. The industrial countries that lost reserves in 1950 and 1951 and then took effective monetary measures showed large gains in their monetary reserves early in 1952.

Payments Problem

Monetary policy also contributed to a solution of the payments problem in other ways.

(1) Monetary restraints came just in time to prevent costs from rising to levels that would have impaired the capacity of some countries to compete in world markets. Countries that made prompt and vigorous use of monetary policy have price and

From the Revival of Monetary Policy, International Monetary Fund, Washington, September 11, 1953

cost levels very close to those of the major dollar markets.

(2) Economic readjustments have been induced by monetary measures which will continue to help in the solution of the payments problem. There is one characteristic of monetary policy which makes it transcend in effectiveness any direct controls. Monetary policy is pervasive; it acts on the whole economy. In contrast, controls must always be stricter than the need for the restrictions they impose because excess demand restrained at one point flows over or breaks through at innumerable other points.

(3) The use of monetary policy in recent years has strengthened confidence in currencies. It can no longer be assumed that the value of money will move uninterruptedly in one direction—downward. People are again encouraged to save and to keep their savings in national currency, instead of seeking refuge in gold and dollars.

Inflation and Payments

The experience of the past three years shows that monetary policy is an indispensable part of any programme for dealing with the payments problem. Any country that has inflation, however mild, can strengthen its payments position by ending the inflation. And as persistent inflation must ultimately raise prices and costs, a country that fails to deal with its inflation problem will in time undermine the exchange rate for its currency. A very considerable part of the payments problem that confronts the world today has its origin in a persistent current inflation and in the accumulated effects of the inflation of the past.

Need for Other Measures

There is a mistaken view that it is not the absolute degree but only the relative degree of inflation which affects a country's payments. This seems to mean that if all countries have an equal degree of inflation, say an equal proportionate excess of demand over current output, payments will somehow be in balance. Even if the rest of the world has the same degree of excess demand as the United States, it may very well be confronted with a serious dollar payments problem. That is because not all countries respond equally to inflation either in their export-import trade or in their price-cost structure. Any inflation is a threat to the balance of payments of a country with a weak payments position.

Monetary policy cannot, by itself, solve problems which have their origin in other forces affecting the

Central Bank Discount Rates of Selected Countries

	Maximum 1950-53 %	*Present Rate* %		*Maximum* 1950-53 %	*Present Rate* %
Austria	6	5	Netherlands	4	2.5
Belgium	3.75	3	Norway	2.5	2.5
Canada	2	2	Portugal	2.5	2.5
Denmark	5	4.5	Spain	4	4
Finland	7.75	5.75	Sweden	3	3
France	4	3.5	Switzerland	1.5	1.5
Germany	6	3.5	Turkey	4	3
India	3.5	3.5	Union of South Africa	4	4
Italy	4	4	United Kingdom	4	3.5
Japan	5.84	5.84	United States	2	2

From Monthly Letter, National City Bank of New York, October 1953

international economic position of a country. It cannot solve payments problems arising from a loss of important export markets. It cannot solve payment problems arising from the loss of major import sources. These are problems that require fundamental changes in the structure of the world economy and in the pattern of world trade. Whatever the solution, it can in the end be applied only in an environment free of inflation, in which monetary policy encourages the adaptation of the economy to its real international economic position rather than freezing it to a pattern suited to the past.

Much has been done with monetary policy in the past three years. More can be accomplished by a vigorous use of monetary policy in the future. The greatest barrier to an effective monetary policy has probably been ideological in character. It is a mistake to assume that full employment and economic development must be based on inflation. Economic adjustment with stability is more likely to result in high levels of employment and rising standards of living than a policy of unlimited credit bolstered by controls. Economic development with stability is more likely to create broader work opportunities and more efficient methods of production than a policy of inflationary financing of investment. Governments are now beginning to understand this. That is why there is more reason for optimism on the payments problem than at any time since the end of the World War.

U.S. FOREIGN INVESTMENTS *(continued)*

$217 million; and Germany, $204 million. Investments in Western European dependencies increased from $155 million to $435 million between 1943 and the end of 1950.

Investments in the contiguous or neighbouring areas of Canada, Mexico and West Indies fell from over 50 per cent of the total in 1929 to 40 per cent in 1950. A vigorous flow of new capital, directed mostly to petroleum and manufacturing enterprises, increased investments in Latin America by 75 per cent from 1943 to 1950. During the same period, American investors poured $1,200 million into Canada.

Investments in the free countries of Africa, Asia and Oceania rose by $1,028 million during the seven years ending 1950. The heavy capital movement into the areas raised the investment ratio to 11 per cent of the world total. American interests were largest in the Arabian states where most of the money was invested in development of oil resources.

The value of direct investments in Asia rose from $403 million in 1943 to $1,044 million in 1950. During the same period the growth in Africa was from $129 million to $353 million; in Australia from $114 million to $200 million; and in the Philippines from $75 million to $149 million.

Book values used in the survey are considerably lower than the market value of the investments since the fixed assets are entered at the original value. The market values would reflect the sharp rises in prices and costs since the acquisition of most assets.

U.S. Foreign Investments Total: £14,000 Million at end of 1952

DIRECT American investments abroad totalled over $14,000 million at the end of 1952. U.S. investments overseas rose steadily from $4,000 million in 1920 to $11,800 million in 1950.

Income earned by U.S. investors averaged about $1,200 million annually during the 1946-52 period, and $630 million a year was re-invested in the foreign enterprises as new capital. In addition, approximately $500 million a year in earnings was retained abroad by foreign subsidiaries; this in effect constituted further new investment.

Further, countries as a whole receive a substantially larger amount of dollars from the new capital invested in these companies, from these companies' sales to the United States, and from the substitution of local production for goods which would ordinarily be imported from the United States.

Foreign countries in 1950 also derived slightly more than $1,000 million in revenue from income taxes on U.S. direct-investment enterprises. Other types of taxes and royalty payments provided more direct forms of revenue. These revenues made possible many economic and other developments which could not otherwise be carried out.

The direct-investment companies are an important stimulant to local savings, not only through their own operations, but also by providing for a part of the population an income large enough to permit a volume of savings which can be turned to productive investment.

Direct investment abroad increased $3,900 million in the years 1943-1950. About 80 per cent of this new investment was in the Western hemisphere and the remainder concentrated chiefly in the Middle East. The petroleum industry attracted half of the new capital and manufacturing developments accounted for about 40 per cent.

Distribution of Investments

The following area distribution of U.S. investments are noted at the end of 1950: Latin America, $4,700 million; Canada $3,600 million; Europe $1,700 million; Africa, Asia and Australia, $1,800 million.

Some $3,800 million was invested in manufacturing; $3,400 million in petroleum; $1,400 million in railways and public utilities; $1,100 million in mining; $600 million in agriculture; and $1,500 million in all other fields.

Investments in Europe changed very little between 1943 and 1950, but dropped from 23 per cent of the total to nearly 15 per cent as most of the new American capital flowed into other areas of the world. However, during this period $500 million was re-invested in European enterprises. In 1950 alone new investments increased by more than $270 million.

Investments in Great Britain increased from a ratio of one-third of the total in Western Europe to one-half in the seven-year period ending 1950. Other countries with large American investments were France,

(*concluded opposite*)

From U.S. Department of Commerce Survey, Washington, October 21, 1953

Capital Development in Britain

POST-WAR YEARS 1948-1952

SINCE the end of the war the need for capital construction—to repair the damage and wastage of war, to overtake arrears of housing, modernisation of industries and so forth—has been on such a scale as to call for measures of control and direction originally devised to serve the ends of national defence. The broad purpose has been to steer the use of capital according to officially-determined priorities, while restricting the demand for resources so as to hold back inflationary pressure.

The fundamental problems of capital finance are still with us: how to increase the real volume of capital investment, particularly in productive assets; how to finance an enlarged volume of investment without provoking inflation or enforcing permanent controls; and how to make a full flow of risk capital available for new enterprise as well as for undertakings already firmly established.

The control measures have had, as one effect, the direction of a high proportion of capital investment into public projects, including housing and basic industries brought into public ownership since the war.

(1) Allocation of Resources

The proportion of the national income devoted to capital purposes has been about 13 or 14 per cent in each of the past five years. As the national income itself, after eliminating changes in the value of money, increased by about one-tenth during these years, the actual amount of capital development was also gradually increasing. Compared with 1938, the only pre-war year for which comparable figures are available, the figures cited represent a slightly higher proportion of the national output, while the amount of real resources devoted to capital purposes has probably increased by at least one-quarter.

Here an important qualification of the figures must be noted. They refer to the gross total of capital works, excluding only current repair and maintenance costs. It is not possible to say, over the whole field, to what extent the gross total of capital outlay has exceeded depreciation and wastage of existing assets—that is, the extent of the net addition to the country's stock of capital resources. Some piecemeal indications, however, are mentioned below.

Industry: Housing: Public Services

It is instructive to divide the total outlay roughly into two parts: that which has been devoted to what may be termed economic purposes—directly productive capital—and that which has been applied to social ends, such as educational facilities and housing.

Rather more than two-thirds of the total capital formation during the period went to 'industry and trade', whether in public or private hands; housing accounted for fully one-fifth; and the remaining one-

From Midland Bank Review, London, November 1953

tenth was absorbed by building and works for educational and other social and public services, such as health and drainage. The share of industry and trade in new building and works was rather less than two-fifths of the total, but they absorbed virtually the whole of the new plant and equipment.

Breakdown of Figures

Even with the concentration of so large a share of resources upon the provision of housing, the rate of construction of new permanent houses has been only about half of that recorded during the housing boom in the years immediately before the war. Moreover, the number of houses officially regarded as unfit for living in is now of the order of two millions, while new construction has been increased from roughly 200,000 to about 300,000 houses or flats a year.

Over the whole field of industry and trade, new buildings and works have comprised only about one-quarter of the total construction, roughly one-half having taken the form of plant and machinery and the remaining quarter of transport facilities, including ships and aircraft.

In the more limited sphere of manufacturing industry, plant and machinery have been even more dominating. It has been stated that during 1948-51 investment in manufacturing industry was considerably greater in real terms than in pre-war years, and that some industries—such as chemicals, electricity generation and motor manufacturing—are now much better equipped than at that time.

However, it has been argued that the pre-war rate of investment was insufficient even to maintain the then existing stock of capital assets, while in recent years war damage and arrears of replacement have had to be made good. Moreover, capital has had to be provided for some entirely new industries, such as oil refining. Among separate industries for which figures are available for the five-years' period, electricity accounted for no less than £676m. of gross capital construction, while totals for other industries were as follows: coal £152m., gas £177m., shipping £298m., railways £218m., iron and steel £234m., engineering (including shipbuilding and the manufacture of electrical goods) nearly £300m., oil refining £127m., and agriculture £411m.

A second practicable division of the total of capital investment is between the private and public sectors of the economy. The share of the public sector was very nearly one-half in 1948, and rose to well over one-half by 1952. By 1952 the public corporations were together responsible for one-fifth of the total of gross fixed capital investment. This share exceeds their proportionate contribution to national output, but is to be explained by the basic nature of their products and services, and the dependence of other industries, as well as consumers, upon them. Clearly, this is one sector of the economy in which gross investment exceeds depreciation and productive assets are being enlarged and im-

'NATIONAL INSURANCE IN THEORY AND PRACTICE'

Mr Walter Hagenbuch of Queen's College, Cambridge, will give an address on this subject at 55 Park Lane, London, W.1, on Wednesday, December 2, at 8 o'clock.

Non-Members of the Economic Research Council will be welcome if they will inform the Secretary (18 South Street, London, W.1, GRO. 4581) of their intention to be present.

proved. Most of the investment by public corporations has been concentrated in the fuel and power industries.

(2) Sources of Finance

The figures (which cannot properly be used to provide anything more than observations couched in the broadest terms) indicate that the largest single source of finance is still company savings, including provision for depreciation. Indeed, it appears that for the five years as a whole these savings, together with receipts by companies of war damage compensation and excess profits tax refunds, may have exceeded their gross capital formation at home (including their enlarged financing of stocks and work in progress), leaving a balance for investment overseas—chiefly, no doubt, in subsidiary companies—and for augmenting the finance available to other parts of the economy.

It must be recorded, however, that this observation seems to conflict with widespread impressions that industry has had difficulty in obtaining sufficient funds for capital development, especially since the unusually large volume of liquid resources amassed by industry during the war has been run down. It must be remembered that the figures of capital formation represent what industry has been allowed to do, as against what industry might have undertaken if ample physical resources had been available; while the incidence of financial ease or stringency is doubtless highly uneven as between branches of industry or individual undertakings.

The problem of financial provision is complicated, again, by the effects of inflation on company finance: the cost of bare replacement of capital goods, without any improvement thereof, is generally reckoned to have more or less trebled since 1938, but depreciation allowances for taxation purposes continue to be based on the original cost of the particular fixed asset, while means have to be found also to finance stocks and work in progress at a comparably higher level of costs.

Negligible Personal Savings

Personal savings in the past five years—whether utilized individually or through institutions—have on balance been very small, perhaps even negligible, in amount. Indeed, if the figures are accepted at their face value, by the time taxes on capital—principally death duties—have been paid, individuals as a group have failed, except in the last one of the five years, to make any contribution to the finance of their own investments in houses and in the business assets of sole traders and firms.

At the present time, most of the small personal saving takes the form of instalment payments to building societies for house purchase or the provision of deferred benefits through pension schemes or life insurance policies. These forms of savings all qualify in varying degree for tax relief.

One result of the change in the sources and machinery of savings is the increased importance of institutional investors. Insurance companies, for instance, provide a steady stream of funds seeking investment in the capital market. The life insurance funds of British companies amount to over £3,300m., and are growing at the rate of about £160m. a year.

The figures suggest that latterly a larger share of the growing life insurance funds has been invested in equities, partly in the search for higher yields during a period of, on the whole, low interest rates and partly because the gilt-edged portfolios were swollen as a result of wartime arrangements. The latest return, covering statements deposited during 1952, shows over £390m., or nearly 12 per cent of the total of life office funds, represented by equities, as against about £50m., or 5 per cent of the total, in the late 'twenties and £160-170m., or 10 per cent, at the outbreak of war. The proportion varies considerably between different types of office and different undertakings.

Insurance funds have also been used to finance business in other ways, as by the taking up of medium-term, fixed-interest-bearing notes and similar securities issued by industrial and trading companies, by the purchase of business premises which are rented on long leases to manufacturers or traders, and by loans on mortgage. Clearly, however, great emphasis must be placed on the security of their investments; and for the same reason the bulk of their investment in industry and trade tends to be concentrated on established undertakings.

Another channel, important in the past, by which personal savings are put at the disposal of enterprise is provided by investment trusts and unit trusts; but since the war this channel has been practically closed by the selective operation of the control over new capital issues. It remains to be seen how far the recent relaxation of control at this point will lead to a resumption of the flow.

Forced Savings

The shortfall of finance has been made good by forced savings, through the fiscal system. First, the National Insurance Funds, which are financed largely by compulsory contributions from employers and employees, have been accumulating a surplus of receipts over outgoings which, during most of the period, amounted to more than £100m. a year; thus a substantial amount has been withdrawn from current spending power and invested in Government securities.

With changes in the financing of the Funds and the growth of expenditure to meet pensions for an ageing population, this annual surplus will shortly be replaced by an increasing deficit. The Funds, that is to say, will become a mechanism for dissaving unless fortified by larger appropriations from the budget—which in turn would tend, through the taxation entailed, to entrench on the capacity for voluntary saving. The principal method of forced saving, however, has been the creation of large annual budget surpluses. In the fiscal years 1948-9 to 1952-3 these surpluses added up to roughly £2,650m. A large part of the total has been used to make loans to local authorities to finance their housing and other schemes; and considerable further amounts to provide capital funds for some of the public corporations, including the National Coal Board. Some of it has been paid direct to industry as war damage compensation and excess profits tax refunds; while the remainder has been available to repay Government debt.

How far this forced saving has succeeded in restricting consumption, and thus increasing the proportion of

the national income that has been saved, is impossible to say; to some extent it may merely have reduced the volume of voluntary saving and increased the national assets at the cost of private wealth.

Equity *versus* Loan Finance

The system under which the Government itself finds funds for capital development has not been employed for the major capital works of nationalised industries. The public corporations for gas, electricity and transport, taken together, have financed their extensive capital development partly by drawing on past internal provisions but largely by issues to the public of dated, fixed-interest-bearing, Government-guaranteed stocks.

All these changes have had their influence upon the London capital market. Figures compiled by the Midland Bank for issues raising new money, other than for the United Kingdom Government, show that the proportion of the total made available by these means for authorities and undertakings overseas progressively diminished in favour of issues the proceeds of which were used within the United Kingdom, until roughly the present proportions were reached in the middle 'thirties.

When allowance is made for changes in the price level, the volume of home issues has been only slightly less in recent years than in the middle 'thirties, notwithstanding the elimination in the post-war period of issues on behalf of local authorities. Roughly one-half of the total sum raised by home issues during 1948-52 was for the public corporations responsible for the gas, electricity and transport industries.

Analysis of the sums raised by companies shows that, while the proportion taking the form of debt was much the same as in the middle 'thirties, the proportion of preference capital was rather lower and that of ordinary capital higher.

★ ★ ★

Summarising, it is clear that, for constitutional or financial or other reasons, a considerable shift has taken place away from equity finance towards financing by the creation of debt. It is difficult to argue that, from the point of view of long-term financial health and vigorous enterprise, this is a favourable trend.

U.K. HOUSING: EXCHEQUER SUBSIDIES

THE totals of Exchequer subsidies, up to and including the year 1952/3, for all houses built since 1919, are:

	£
Housing, Town Planning, etc. Act, 1919	187,172,874
Housing (Additional Powers) Act, 1919	9,498,156
Housing, etc. Act, 1923 (and amendments)	49,594,164
Housing (Financial Provisions) Act, 1924	100,333,287
Housing Act, 1930	45,637,602
Housing Act, 1935	966,537
Housing (Financial Provisions) Act, 1938 (and amendments)	8,140,422
Housing (Financial & Miscellaneous Provisions) Act, 1946 (and amendments)	81,863,846
	483,206,888

The figures for the Housing Acts of 1930 and 1935 include figures for the relevant provisions of those Acts as now consolidated in the Housing Act, 1936.

The Rt. Hon. Harold Macmillan, M.P., *House of Commons, October* 20, 1953

Nuclear Power —

How Near is Economic Production?

A power-producing thermal reactor is being built by Britain at Calder, Cumberland, and should be in operation within three years. America is also entering the field experimentally but with a sense of urgency.

THE technical feasibility of nuclear electric power stations can be taken as established, and the first experimental plant of this kind is already under construction in Britain.

The cost of power from conventional sources varies widely between different countries according to the availability of indigenous or external supplies of energy. In the U.S.A., with its abundant and readily accessible sources of home-produced coal, oil, and natural gas, the use of nuclear power may be far less economic that in certain under-developed countries where the energy needed for raising the standard of living may be locally unobtainable, while procurable from external sources only at a very high cost or, owing to the payments problem, only in insufficient quantities.

Character of British Plant

In Britain, despite her rich coal resources, the economic prospects of nuclear power improve as coal prices continue to rise and the demand for electricity tends to outstrip the national output of coal.

The first nuclear power station now being built in the U.K. embodies a natural uranium reactor, from which the heat produced in the fission process is transferred by gas under pressure to a steam turbo-alternator. In addition to the heat for steam generation, the fission process also yields a secondary 'artificial' nuclear fuel, plutonium, as by-product.

In Mr B. L. Goodlet's opinion,* a plant of this type, if operated at a very high load factor, could generate electricity at a cost of about 1d. per kWh, which compares with the present average cost of coal-generated electricity at U.K. power stations of about 0.54d. per kWh (though in south-western areas it reaches 0.66d.). No allowance is made for by-product revenue in the cost figure for the nuclear plant, which may therefore seem almost economic in terms of product cost.

If Britain's whole electric power supply—now requiring 36 million tons of coal and coke—were to be based on natural uranium reactors, the operation of the latter would thus involve an annual consumption of 4,000 tons of uranium, all of which would have to be obtained from overseas. (The U.S. Atomic Energy Commission's price for uranium oxide is $3.50 a lb., or £2,800 a ton; the natural uranium metal, made from it and used in a reactor, may cost anything between £10,000 and £20,000 per ton.)

Problem of Uranium Supply

Apart from the financial side, the procurement of adequate supplies of uranium may pose considerable problems. Total world reserves of natural uranium metal are at present estimated at about 25 million metric

*Address to British Association by B. L. Goodlet of British Atomic Energy Research Establishment

From Petroleum Press Service, London, October 1953

tons. Even if the world production of uranium reaches high enough levels to ensure for the U.K. a share in supplies commensurate with requirements of the above order, the natural uranium reactor can, in the long run, hardly be regarded as a satisfactory substitute for a coal-fired power station, since it does not utilise anything like the full potentialities of nuclear power.

Taking all factors into account, however, a plant of this kind may, according to Mr Goodlet, nevertheless be economic at a capital cost two to three times that of a conventional power plant, assuming that the rates of interest, redemption, and maintenance are the same.

Breeder Reactor Difficulties

The picture would be very different in the case of a so-called Breeder Reactor, *i.e.*, a type of reactor that is capable of producing in the fission process more nuclear fuel than it consumes. Breeding does not, however, entirely obviate the need for refuelling the reactor, since the fuel charge must be periodically removed for chemical reprocessing, long before the whole of it has been fissioned.

Even so, the consumption of nuclear fuel in a breeder reactor is only a fraction of that of a natural uranium reactor. For instance, with a reacting core of plutonium, 12-15 tons per annum of uranium 238 would suffice to produce as much heat energy as the 4,000 tons needed to provide the equivalent of Britain's current electric power output from natural uranium reactors.

Although a few experimental breeder reactors of modest capacity are already in existence in the U.S.A., and under development elsewhere, a host of intricate technical problems have yet to be solved to make the building and working of large-size breeders feasible. The removal, reprocessing and replacement of the fuel charges, the handling and disposal of the radio-active ashes, etc., call for ingenious and costly devices, and their operation is made the more difficult by the enormous rate of heat release in breeder reactors, necessitating the development of entirely novel cooling systems based on metallic coolants. Whatever solutions may eventually emerge for the design of breeder reactors that would permit the large-scale generation of electricity, there is no certainty that a plant of this type, notwithstanding its unrivalled fuel economy, would be able to compete with conventional power plant on costs.

Plants in U.S.A.

Among American experts the view is widely held that, for the time being, nuclear electric power offers little prospect of becoming economic in the United States, unless it were linked in some form or other with the production of fissile materials for military purposes.

The three diffusion plants in the U.S.A. cost several billion dollars, and their own electricity needs of about 3.7 million kW. are quite appreciable compared with the energy content of the nuclear fuel in the plants produced. The cost of electric energy generated from enriched uranium may reach 6d. per kWh. or more, and nuclear power derived from it is, therefore, likely to be only of military interest.

If on the other hand the economics of nuclear power production were to be based on the revenue from the sale of plutonium for military purposes, the design of nuclear power plant would have to be directed from the outset towards maximum plutonium

output at the expense of electric power generation. A nuclear reactor designed solely for civilian power generation would, however, yield only a very modest amount of marketable by-product plutonium which, when valued as nuclear fuel for power plant, commands a much lower price than as a material for bombs. The revenue from these relatively small quantities of plutonium might even be insufficient to meet the cost of the recovery process.

Factors in Non-Military Economy

In a non-military economy, it might conceivably be economical to dispense with the extraction of plutonium and simply to store the spent charges from natural uranium reactors after as much energy as possible had been extracted from them. But such a procedure, even if technically feasible, would clearly mean a wastage of nuclear fuel resources, whose conservation is all the more important since plutonium, obtained from natural uranium reactors, will be in great demand as a fuel for breeder reactors, once the problems are solved of building large size nuclear reactors of this type.

Though the attainment of this goal may still be a long way off, Mr Goodlet professed his belief that nuclear power is a certainty, and economic nuclear power a possibility. But he thought it improbable that it would ever become a cheap source of energy.

These views were substantially endorsed in the course of an equally revealing speech recently made in New York at the Convention of Railway and Utility Commissioners by Dr W. L. Davidson, director of the U.S. Atomic Energy Commission's office of industrial development.

American Experts Cautious

In the United States—as in Britain—coal is today the predominant fuel for large thermal electricity stations. Of the average generating cost of electricity at U.S. power stations of 0.7 cent (0.6d.) per kWh., nearly half is accounted for by fuel, about 40 per cent by fixed charges (interest, depreciation, taxes, etc.), and the balance of less than 0.1 cent per kWh. by plant operation and maintenance costs. Dr Davidson referred to unofficial estimates suggesting that even at a price of natural uranium metal as high as $35 a lb. (£28,000 a ton) electricity might be produced in an atomic reactor in the U.S.A. at a nuclear fuel cost of less than 0.15 cent per kWh., *i.e.*, less than half the fuel cost per kWh. of a coal-fired station.

On this basis, the capital cost of the reactor could bear to be as high as $200 (£70) per installed kW., *i.e.*, roughly twice that of the U.S. average cost of a coal-fired steam boiler, without impairing the competitiveness of nuclear with conventional power plant. But most estimates of reactor costs exceed that figure.

On the other hand, the price of natural uranium might be substantially lower and the rate of fuel utilisation in the reactor higher than assumed in the above calculation of fuel cost, so that a higher capital cost could be accepted.

Uncertainties surrounding the economics of nuclear power have so far proved too great to induce private enterprise to tackle projects of this kind with their own money.

Butter is a Luxury

WORLD PRODUCTION OF BUTTER
(Thousands of cwts)

	1952	1951	1950	1938
U.K.	144	112	326	400
New Zealand	4,049	3,875	3,688	3,017
Australia	3,350	2,715	3,279	4,070
U.S.	12,911	12,963	14,714	20,001
France	4,921	5,413	4,921	4,200
Netherlands	1,449	1,645	1,835	1,993
West Germany	5,328	5,429	5,104	7,500

WORLD production of butter is now much less than it was before the war.

After rising to a post-war peak in 1950, output has again declined, especially in the U.S., which is the world's largest producer. But even in 1950 production was still some 13 per cent below the 1938 level. Present production of butter is 16 per cent down on pre-war, and total exports from those countries with a surplus down by no less than 30 per cent.

The reason for this decline is simple. Dairy farming is being encouraged all over the world, but at present prices milk and cheese give a better return to the farmer than does butter. Consumption of both milk and cheese in most countries is considerably higher than before the war; in the U.K., for example, milk consumption per head is up by well over half. The more milk drunk, the less butter made; and in those countries with an exportable surplus of butter home demand has grown faster than production.

Butter prices have been rising steadily everywhere, although in most countries the pattern of prices is complicated by the operation of various controls. This year, indeed, there has been an increase in production both on the Continent and in the U.S., but it will probably do no more then offset last year's fall in milk production. The U.K. has already agreed to pay more for its imports of butter next year.

But the prospect of obtaining a substantially greater volume of imports of butter in the near future is small. Butter has become a luxury, and its price after derationing depends chiefly on the premium the housewife is prepared to pay for its distinctive flavour; from a nutritive point of view there is nothing to choose.

It has often been pointed out that a nation's consumption of fats is some indication of its standard of living; in the U.K., for example, the level of fat consumption rose by 36 per cent between 1909 and 1938—very much in line with the increase in the national income.

World consumption of fats has been rising. And recently, as butter production has fallen, consumption of margarine has soared. World production of margarine is some 90 per cent up on 1938, and consumption in the U.K. is about 2¼ times what it was before the war.

In other countries, the U.S. particularly, where butter and margarine are competitive the housewife has not shown herself willing to pay an extravagant price for butter.

From Financial Times, London, October 30, 1953

Alternative to Guaranteed Farm Prices

BY HONOR CROOME

There is a case for guaranteed or supported prices for farmers, but the case against is overwhelming. The principles on which a wise alternative may be based are deduced in this forceful article.

ARGUMENTS generally used in favour of agricultural protection, subsidy, and privilege, are a disgrace to an intelligent democracy; intellectually disreputable, politically cynical, and sentimentally false.

The protectionist argument would justify dropping an iron curtain round every parish to safeguard its producers from competition. The argument for subsidies would justify feeding a dog on its own tail. The argument for privilege in general would justify every piece of special pleading which has ever undermined the morality of government.

All the same, there are factors in the situation which give a real and legitimate meaning to the notions of inadequate outlay on food and wrong division of that outlay.

* * *

(1) The first is what one may call the time-horizon factor, the limited time-span of individual interest. Its most obvious aspect is the strategic one.

The Strategic Argument

The strategic argument, though obvious, can be fearfully overworked. There are few things an aggressor would like better than to see Britain's industrial power and shipping cramped and crippled for the sake of self-sufficiency in food. What sort of show would we have put up against Hitler had our economy been like that of Denmark? But a rather bigger iron ration for emergencies is an advantage worth some sacrifice in other directions. So the cost of encouraging that much more food production at home, making that much more certain of the power to expand production in case of need, can be counted as a part of the whole defence burden.

Food was too Cheap . . .

But the strategy is not the whole story. The time-horizon argument is much wider. The free-trade case, the case for letting things be produced at the least real cost in capital and man-power, is watertight. We are not so rich, or so well fed, that we can afford to misapply and waste our resources. But the cost must be truly weighed, the balance of advantage truly struck; and the short-run balance, which is all the individual consumer or trader sees, may be badly out of true when applied to the future which our children must inherit.

Take the nineteenth-century estimate of what it cost to grow food abroad, the estimate which determined the extent of Britain's swing over from farming to industry. It was, as we now see, far too low. It allowed nothing for maintaining the new lands whose stored fertility made them so attractive, for averting erosion and flooding and all the

From Broadcast, B.B.C. Third Programme, October 1953

other evil results of mining and robbing the soil. The cost which was unmet then is still to pay in our time.

The same can be said of the cost of fighting the pests and diseases encouraged by that single-crop cultivation which looked so cheap in the short run; or, again, without much stretching the argument, of the fearful social problems which are the legacy of cheap plantation culture in the colonies. If it had been anyone's business to calculate these long-run costs, if the price of imported food had included a margin to provide for conservation, crop diversification, and so on, the balance of advantage to this country of direct and indirect production would have been correctly registered by the market. We should still have industrialised ourselves—but not so far. We should still have imported food—but not so much. And I think it is undeniable that today everyone would have been better off.

. . . and Still Is

Today, looking at the unequal battle still being waged between soil destruction and soil reclamation, one may well conclude that much imported food is still under-priced. The same argument applies when one looks at the other major influence on the world food market of the future—the growth of world population: 25,000,000 extra mouths a year are 25,000,000 reasons for expecting food to get dearer—even when one has allowed for the fact that, fortunately for us, and unfortunately for them, a great many of them are not in a position to outbid us commercially for a share of the world's exportable food surpluses.

If food is going to get dearer, then wise speculators should be buying forward against the coming scarcity, wise producers should be laying plans for bigger food production.

Inadequate Incentives

But this is too long-term a speculation for traders to finance or for individual farmers to act on. We are not expecting famine next year. We cannot even say that next year, or five years hence, food will be dearer. In fact it is cheaper today, in comparison with manufacturers and services, than it was two years ago. What can reasonably be forecast is a secular trend underlying the ups and downs of harvest and trade, a long-run shift of advantage from the indirect to the direct winning of food.

That is not an adequate incentive to the farmer; he cannot run his farm at a loss throughout a lifetime so that it may profitably serve our grandchildren's needs. But it is a very rational incentive to us as citizens, taking the citizen's long view, to make farming better worth while today than the balance of short-run market advantage would make it.

* * *

(2) The second argument rests on the special characteristics of farming, the ways in which it differs from other kinds of economic activity.

The farmer's production cycle is longer than the merely annual revolution from crop to crop, longer than that of any industrial undertaking. To build up a well-balanced farm is a lifetime's job; to break up its capital structure may be the work of a single forced sale in a bad season.

Because his capital structure is so slow-built and so vulnerable, the farmer has, as it were, his head in Chancery—more so than the industrialist, incomparably more so than the merchant. When there is a shift of supply and demand his partners can adapt themselves comparatively

easily and painlessly—leaving him to stand the consequences, perhaps stripped of labour, perhaps holding unsaleable crops. They have a power of manoeuvre which he lacks. Economic theory takes no cognisance of this power of manoeuvre; but it is highly relevant to policy.

Rule of Road for Farmers

The minimum requirement of any economic policy is to establish a framework of institutions, a rule of the road.

Agricultural policy might well learn from the rule of the road at sea; for that rule gives the less manoeuvrable sailing ship right of way over the more manoeuvrable power-driven vessel. Any farm, however highly mechanised, is essentially a sailing ship in a power-driven world; and what the farmer needs is an economic equivalent for the seaman's right of way. Guaranteed or supported prices for particular crops do, with all their faults, provide such an equivalent. They shift the burden of insecurity, of the need to adapt, from the farmer to more mobile interests. They do not abolish the burden. Someone must carry it. But it is neither particularly expedient nor particularly just that the farmer should carry it all.

When one has said that, however, one has not conceded the case for guaranteed prices, nor yet for deficiency payments, or tariffs, or any other form of support for specific lines of production.

Against Guaranteed Prices

If one's aim is to encourage the rational use of land, to enlist the farmer's desire for profit as a means of directing production to what the public wants, then the case against them is overwhelming. Something else is needed. What should that something be?

Obviously that is a highly technical question, about which no outsider should dogmatise. But the principle should be, surely, that of aid and subsidy to the countryside as such and to good farming practice as such.

The funds which are now devoted to honouring price guarantees should go instead to subsidise rural housing and water-supplies and electricity and schools. They should go into agricultural research, into fertilisers, into pest eradication; they should provide grass driers, canning factories, quick-freezing establishments, to lessen the farmer's dependence on the whims of the weather and on the date of ripening of his produce. They should finance special credit institutions, making it less imperative for the farmer to realise cash for his output at any particular moment.

The general effect should be on the one hand a lowering of the farmer's costs *whatever* his particular production—this corresponds to the long-run collective judgement about the true balance of agriculture and industry; and on the other hand a diminution of his special risks, the risks of the sailing ship on the crowded trade route.

Perhaps all this is politically impossible. Perhaps those administrative and technical difficulties which it is so easy for the outsider to overlook make an economically rational policy unattainable. But I believe that the background which I have outlined is in true perspective; and that that perspective must dictate the general shape of policy if we are to have a healthy agriculture in a health economy.

Are Executives Paid Enough?

BY ROLAND BIRD

A COUPLE of years ago, a party of visitors from the American pressed metal industries looked at some typical concerns in this same group of British industries. They recorded: 'In Britain any person capable of being a top-flight executive has a reasonable chance to become one. It is doubtful, however, whether the steeply rising rates of surtax leave the individual sufficient incentive to accept the added responsibilities that go with increased remuneration. There is, indeed, a good deal of evidence that where a level of income of, say, £3,000 is reached, individuals are more tempted by the possibility of higher pensions in their old age than they are by increased immediate remuneration. The reason is obvious: increasing rates of surtax leave little extra from the added immediate remuneration, while pensions may fall [that is, become payable] at a period of lower income when the tax is lower.'

Pension a better bargain

The pension arrangements to which the American team referred are an entirely legitimate method of forgoing income now and receiving an income later (on which tax will be payable at the rate then prevailing).

It would not be right to infer from this report that pension arrangements are not a powerful incentive to executives to accept added responsibilities; the point is rather that in the typical case there is no amount of additional immediate income which, after deduction of tax, will give the executive a fraction of the real benefit that he can expect to get from a pension arrangement.

For every £ of income above £3,000 and up to £4,000 he will have to pay 12s. 6d.—9s. at the standard rate (without benefit of earned income relief) and 3s. 6d. surtax. If he has a wife and two children he will take home out of £3,000 a net sum of £1,988 10s.; if he drives himself to earn another £1,000, he will take home £2,363 10s. out of the £4,000. 'Earn another 33⅓ per cent', says the Chancellor to this executive, 'and I will allow you to keep another 19 per cent on top of your present net income.'

Sixty or sixty-five may be a long way off, but a pension purchasable with an annual premium of three or four hundred pounds (the Inland Revenue, it should be said, are sticklers about the permissible limits of the benefits) is likely to be a better bargain than the £373 of net cash that would be left from the extra £1,000. Part of what the tax collector will not allow him to save is instead saved on his behalf by his employers through the pension premium (if the scheme is arranged with an assurance office), or the annual contribution to a private pension scheme. 'By his employers' is the crucial condition; he cannot do so if he employs himself—at least not yet.

Modern Levellers in Action

Business executives may not get their entire satisfaction from the money they earn, but they would hardly work for nothing. And the evidence shows that, in the com-

From Progress, Unilever, Ltd., London, Autumn 1953

munity as a whole, they are getting a diminishing share.

For rough and ready purposes, one can take the top one per cent of incomes as corresponding to people who hold policy-making positions in industry, commerce and the professions. In the United States, Dr Simon Kuznets has found that the share of the national income, before taxes, of the top one per cent dropped from 12 per cent in 1939-40 to 8½ per cent in 1947-48; and his work on partial data up to 1950 indicates no subsequent rise of any significance. By contrast, the bottom 93 per cent of the population improved their share from 72.2 per cent to 79.3 per cent; this is the direct consequence of full employment in factory and furnace and prosperity on the farm. But the share of the top one per cent in the national income after taxes was cut from 10.9 per cent to 6.3 per cent, while the lower 93 per cent improved their share in the net from 72.6 per cent to 81.7 per cent. Those two modern levellers, inflation and the tax man, have been hard at work.

Smaller income differences

Figures such as these do not mean that business executives are on their uppers or wearing frayed shirt-cuffs. But they do mean that management has not kept its relative place in the income structure—in much the same way and for much the same reasons that the foreman now finds himself drawing a much smaller margin than he used to draw over the average earnings of the men for whom he is responsible. Last year, indeed, some American top executives suffered direct cuts. The half-million-dollars-a-year men in Du Pont and General Motors kept their place; but it was an unhappy year for the top men in American Viscose, Celanese Corporation, General Electric and Loew's Inc. In the United States, top salaries are perhaps more often tied to profits than is the case in this country; some recent figures published by *The Economist* show that trading profits of nearly a thousand companies broadly relating to 1952 fell from £810 million to £728 million, but the total emoluments of directors were only slightly lowered from £19.3 million to £19 million.

There is no means of telling how American metal pressers came out last year, but we can tell them how their English specimens earning £3,000 a year and over fared in 1950-51. There were 118,000 of them, out of just over 20 million people with incomes—one half of one per cent. Their gross incomes totalled £689 million, out of £8,750 million for all incomes—about 8 per cent. Their incomes after tax totalled £302 million, out of £7,643 million of all net incomes—just under 4 per cent. We have little to learn from Dr Kuznets on this particular point.

Whips and Scorpions

In this coming year, the man (let us suppose him happily married with two children) who had thought of pushing up his income, whether from pressed metal or anything else, from £3,000 to £4,000, will be £25 better off than if he had done so a year earlier. One thousand sixpences will crash with all the explosive force of a Chinese cracker into his bank account to mark the limit of this year's tax concession on that extra thousand pounds.

In the United States, where Republican presidents are said not to reduce taxes despite their promises, and where there is a widespread belief that high taxes are here to stay, things work out a little better—if you

prefer whips to scorpions. The American pressed metal man who thinks of pushing up his income from $10,000 to $15,000 will find that he pays $1,300 on the extra $5,000 in 1954, whereas he would have paid $1,500 if he had done so in 1953. Neither Treasury gives the business executive a handsome tax bonus on extra earnings this year, compared with what he would have paid on the same extra earnings last year.

The attractions of not having an income but having a pension instead will not be much diminished. Perhaps the attractions of the industrial game and competitive emulation will evoke the right kind of management ability and put it in the right places. But it might be that some of these executives are, after all, men as sensitive as less noble creatures to the size of their net incomes.

'WE MUST LIVE BY OUR WITS'

BY H.R.H. THE DUKE OF EDINBURGH

BRITAIN'S problem is not why, but how, to increase the export trade, how to pay for our imports, how to reduce prices.

Basically the solution lies in our wits. We must literally live by our wits. Judging on past achievements of this country, we are certainly not a nation of nit-wits. In fact, wits are our greatest single asset and one which we can still rely upon.

We must exploit the wit of the scientist and the engineer who, by their inventions, start new industries. We must exploit the wit of the specialist and the expert who can improve methods of production and the materials.

We must exploit the wit of the designer who can improve the product itself and its saleability. Finally, and probably most important, we must exploit the wit of the manager, the co-ordinator who alone can bring together and make use of the ideas of the scientist, specialist and designer. The manager should be the great brain-picker, constantly on the look-out for new methods and new ideas.

From Address, National Union of Manufacturers, London, October 15, 1953

LOCAL GOVERNMENT FINANCE (*concluded*)

entirely financed by loans which totalled £446 million. Over four-fifths of this amount was supplied through the central Government's Public Works Loan Board, which until 1 January, 1953, had been the sole source from which local authorities could borrow externally.

Thus slightly over one-half of the £1,600 million worth of local government expenditure in 1952 was financed, either by way of grant or loan, by the National Exchequer who, in its turn, recouped the expenditure from the British taxpayer.

And while last year the average rate-payer paid 3½ per cent of his gross income direct to his local authority in the form of rates, indirectly, in the payment of his income and outlay taxes, he contributed a further 7 per cent, 4 per cent going towards the costs of grants and subsidies (often paid out to local authorities other than his own) and 3 per cent taking the form of a 'forced loan' to cover the financing of new capital projects.

From these figures it is evident that the subject of local government finance, far from being solely of parochial interest, is one of very considerable economic significance from the viewpoint of the country as a whole.

Local Government Finance in Britain

Some facts concerning expenditure of £1,600 millions per annum

ALL too frequently underestimated is the significance of the relationship which exists today between the financial problems of local authorities and the broader economic issues of our national life.

In 1952, total expenditure by local authorities in Great Britain reached the record figure of £1,600 million, an amount in real terms equivalent to 11.7 per cent of the gross national product for that year. Of this amount, current expenditure on rate fund services (e.g. education, public health, highways and bridges, administration, etc.) totalled approximately £925 million of which £84 million took the form of housing subsidies. The cost of operating various types of trading services (e.g. public transport, civic restaurants, water supply, etc.) is put at £150 million.

On capital account, expenditure totalled £525 million representing 27.6 per cent of the gross domestic capital formation for the whole country in 1952. Of this amount, investment in housing accounted for some £345 million (80 per cent of the country's total capital formation in this type of asset) while other rate fund services—and notably education—invested some £140 million. Capital formation in the trading services remained approximately at last year's level of £40 million.

In all, expenditure by local authorities rose by 14 per cent as compared with the previous year. Partly this was the result of increased costs but to a greater extent the rise in expenditure reflected an increase in the volume of goods and services bought.

Sources of Income

How was this expenditure financed? On current account the trading services paid for themselves and in fact yielded a profit of some £4 million after allowing for depreciation. Income from property (rents, fees, recoupments, etc.) brought in £85 million, Government grants (including housing subsidies) £444 million, and income from rates £391 million.

Total revenue on current account in 1952 (excluding trading receipts) thus amounted to £920 million, £5 million below expenditure for that year. This slight deficit is to be compared with a small surplus which accrued in 1951 and in previous years.

Government grants thus accounted for slightly over 48 per cent of the total current income in 1952. This proportion has been steadily increasing since 1914 at which time little more than one-fifth of local revenue took the form of Government aid. And, whilst at one time local rates amounted to some 56 per cent of central revenue,[1] today the proportion is less than one-twelfth.

Apart from the provision for depreciation and a small grant from the national exchequer, capital formation by local authorities in 1952 was

(*continued opposite*)

1 See Ursula C. Hicks, The Budget as an Instrument of Policy 1937-1953, *Three Banks Review*, June 1953.

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Retail Trade Facts and Figures Reveal

Changes in Canada's Domestic Market

IN VIEW of the far-reaching structural changes in Canada during the past twenty-five years, it is not surprising that the distributive trades, and retailing in particular, should have struck out in new directions and taken on new conformations.

The most striking development is, of course, the very marked rise in both value and volume over a period of less than twenty years. In the pre-war years, 1935-9, when industry and trade were making a slow and painful convalescence from the depression of the early thirties, the value of retail sales averaged a little over $2,400 million a year, against a post-war peak of $11,300 million in 1952. In terms of constant (1935-9) dollars (which for lack of a better measure we shall assume to be a gauge of volume) the pre-war figure of less than $2,500 million had risen to over $3,600 million by 1945, an increase of close to 50 per cent, and to $5,300 million in 1952, an increase of nearly 116 per cent.

How Income is Spent

The three major factors affecting the volume and character of trade are the level of personal disposable income, population characteristics and the availability of goods. Of these three factors, personal disposable income probably has the greatest and most immediate impact on trade.

In the pre-war years 1935-9, in-income averaged $3,800 million annually. By 1952, the figure had reached close to $15,800 million, an increase of 315 per cent, and despite the increase in retail commodity prices (115 per cent) there was therefore a very substantial increase in total purchasing power.

The extent to which movements in income are reflected in actual expenditure varies according to the level of accumulated savings, the availability of desirable goods, and certain psychological factors which influence demand.

In 1926, which was for many years regarded as a 'normal' post-World War I period, and as such was used as the base for many economic indexes, expenditure on consumers' goods and services amounted to 92.3 per cent of total personal disposable income. In 1929, when a 'come-easy go-easy' attitude prevailed until toward the end of the year, the percentage rose to 95.8. At the depth of the depression it had risen to 103.6 for obviously different reasons, since it became necessary to draw upon savings. By the last pre-war year it had fallen to approximately the 'normal' level of 1926.

Spending Ups and Downs

Despite the war-time increase in income, the proportion then spent on consumers' goods fell sharply, the result of several contributory factors —scarcity of goods, a low rate of family formation, and pressure to invest in government bonds and associated forms of saving. By 1945 the percentage had risen to 80.0 from the mid-war level of 76.6, and for the two years therafter there was a sharp increase associated with the extremely high rate of family formation and

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considerably less stringency in the supply of goods.

The rate was more normal in 1948-49 but rose again to 94.9 per cent in 1950 when, on the outbreak of war in Korea, the psychological factor again became operative in the form of a 'flight into goods' in anticipation of renewed shortages. A tighter credit policy and some retrenchment following the over-buying of the previous year brought the figure down to 90.6 in 1951, while the resumption of easier credit terms in May of last year induced an upward movement which reached 91 per cent for the year.

Influence of Population Growth

The effects of population growth, and of changes in population characteristics, over the long term, probably permeate the whole trade fabric to a greater extent than any other factor. The very low rate of both immigration and family formation during most of the decade of the thirties and the war years resulted in a very slowly rising population. With the rehabilitation of the armed forces and the resumption of immigration, however, the rate of family formation and the birth rate rose sharply and by June 1952 the total population had risen to 14,430,000, an increase of more than three and a third million over the pre-war (1935-39) average, over two and a third million having been added since the close of the war, of which the accession of Newfoundland added about a third of a million.

The domestic market has, therefore, been enlarged by close to a third since before the war and is currently increasing at the rate of between four and five hundred thousand annually, depending on the flow of immigration.

Crude figures of population increase, however, tell only part of the story. The net family formation in 1946, the first post-war year, was 102,000, close to double the 1939 figure. So high a rate naturally could not be maintained, though it averaged 73,000 for the next four years. The past two years have, however, averaged over 93,000.

Demand for Household Goods

This implies a comparably high rate of need for housing and for associated household requirements, all of which influence not only the level of trade but the direction in which it is channelled. The durables, including furniture and household appliances and radios, are normally in active demand under these conditions, though the scarcity of many of these items in the early post-war years tended to contain such purchases within the limits of availability. Nevertheless the proportion of personal expenditures on consumer goods and services, spent on durables, rose from 5 per cent in 1945 to 7.4 per cent in 1946 and has averaged nearly 11 per cent over the past three years.

The census figures covering housing characteristics are an interesting sidelight on this tendency to invest in durables and, in general, illustrate the secular trend toward an improved physical standard of living. The percentage of dwellings reporting housekeeping aids and other amenities rose sharply between 1941 and 1951 as the following figures indicate (1941 figures in brackets): inside running water 74 per cent (60.5 per cent); electric lighting 87 per cent (69.1 per cent); mechanical refrigeration 46.8 per cent (20.9 per cent); gas or electric stove 49.8 per cent (39.6 per cent); electric vacuum

cleaner 41.5 per cent (24.2 per cent); radio 92.2 per cent (77.8 per cent); powered washing machine 72.5 per cent (not available); passenger automobile 42.3 per cent (36.7 per cent); oil as fuel 22.7 per cent (2.6 per cent).

While expenditures on durables are a matter of choice rather than necessity to a much greater extent than are those on non-durables and services, the relative price level and availability of the items constituting the two last-mentioned groups are important factors in determining the share of consumer expenditures which each will bear.

Depression and War Years

During the first half of the thirties expenditure on services was relatively higher than at any time during the period for which data are available, reaching its highest point, 39.8 per cent, at the depth of the depression in 1932, largely because of the hard core of expenditure represented by shelter, fuel, and the utilities connected with household operation. In that year shelter alone accounted for 47.8 per cent of outlay on services and 19 per cent of total consumer expenditure. The utilities brought these percentages up to 54.8 and 21.8 respectively. (There is no record of fuel costs in this year.)

The non-durables, a considerable part of which is controllable or curtailable, fell during this period with the durables. The influence of shelter on the distribution of total expenditure is quite marked throughout the period for which there is a statistical record.

During the war years when the rate of family formation was low, 'doubling-up' common, and rents strictly controlled, services dropped quite sharply, reaching a low of 31 per cent in 1943, and the decline was almost continuous thereafter until 1948 when a post-war low of 27.1 per cent was reached. Up to 1947 shelter had declined to 37.5 per cent of service expenditure and 10.4 per cent of total expenditure; but since that year the housing shortage, a wide measure of decontrol, and the cumulative effect of new building not subject to control, have combined to raise the proportion of shelter to all service expenditures to 40 per cent, and to total expenditures to 12.1 per cent.

Influence of Urban Migration

The shift over the years from a predominantly rural to a predominantly urban population also tends to influence not only the volume of trade but its character and the type of retail outlet. The movement away from the farm and non-farm rural communities to the larger centres has gained momentum during the past two decades, and within the last census period the rural population gained only 378,000 or 7.5 per cent, whereas the urban increased by about 2,100,000, or 32.7 per cent.

As a result of the extension of rural electrification and the increase in motor cars rural requirements tend more and more to approximate in kind those of the town and city dweller, and are less likely to be satisfied locally, with a consequent decline in the proportion of total business done by the country general stores, whose share of trade fell from 7.5 per cent of the total in 1930 to 4.7 per cent in 1952.

During the war years, when consumer durables were either scarce or unobtainable, when most lines of non-durables were standardised or rationed, and when gasoline supplies were sharply curtailed, the country

general stores had, relatively, their best years in recent times, with about 7.7 per cent of all retail sales.

Stores Lose Ground

At the same time, the growing tendency of the population in metropolitan areas to move away from the more densely populated central sections to the suburban perimeter is resulting in a slow but significant decline in the importance of the department stores, whose share of trade dropped from 13.5 per cent in 1931 to 11 per cent in 1941 and 8.7 per cent in 1952. (The same slow subsidence of the department stores is apparent also in the United States.) Here, too, the rapid growth in automobile ownership is exerting its influence. As parking space in the older, down-town areas becomes increasingly congested, shopping in the more outlying districts, with greater parking facilities, becomes more attractive.

The competition thus set up is effecting many, sometimes revolutionary, changes in merchandising methods. The department stores and others long-established in central areas are taking steps to reverse the trend by various means. Suburban branches are being opened up to make their outlets more accessible; parking facilities are being enlarged where this is possible; night openings in designated sections are being used to attract customers otherwise unable to shop in the area; and charge account and instalment buying is being pushed as an alternative to the 'cash and carry' principle of most of the chain stores.

With the exception of the food stores and to a lesser extent women's clothing stores, the chains do not appear to be increasing their share of total trade, which for the past five years has amounted to less than 17 per cent as compared with close to 19 per cent during the war and early post-war period.

The food chains, which accounted for 27.4 per cent of all food sales in 1941 lost some ground between 1941-47 but have made considerable inroads since that year, their share of all food sales in 1952 amounting to 35.3 per cent. Women's clothing stores tend to vary from year to year but have risen from 18.1 per cent in 1941 to 22.8 per cent in 1952. Shoe and variety store chains are fairly steady at about 37 and 87 per cent respectively, but the drug store chains have declined from 18.7 per cent in 1941 to 13.3 per cent in 1952.

An important qualification must, however, be made in regard to the declining proportion of chain store sales to total retail activity, namely, that the chains account for a relatively small proportion of sales of durable goods.

The net result of the variously shifting pattern of retailing does not, therefore, appear to have been damaging to the position of the independent firms (excluding department stores), who as a class have done close to 75 per cent of the retail trade of the past three years as compared with just over 70 per cent in 1941 and less than 68 per cent in 1931. Nor do the relative data indicate any untoward concentration of business or decline in competition. Retail trade appears, indeed, to be more, rather than less, competitive than formerly as various types of business explore and experiment with new lines of goods, new types of outlet and new methods of merchandising.

Ever-Changing Frontiers of Industry

Recent steps forward in industry's ceaseless search for better methods and lower costs

One of the many signs of America's continuing economic progress is the rapid emergence in recent years of a group of new industries making laboratory and control equipment.

After the war further stimulus was given to business applications of such devices by their ability to help offset rising costs. A series of radically new types of instruments, unheard of only a short while before, became available.

The notable expansion taking place in these lines is only another step in the long-term evolution of industry in its ceaseless search for improved methods and lowered expenses. Such expansion serves as another refutation of the theory propounded in the '30s that the country had reached 'economic maturity' and no longer possessed room for growth.

Control Equipment

Laboratory and control equipment is being made in a great variety of different types, some of which are unbelievably complex. The various instruments may be mechanical, hydraulic, pneumatic, thermostatic, chemical, magnetic, electronic, or a combination of several. They have quickly found applications in the basic industries—steel, machinery, oil refining, chemicals, medicines, textiles, and, of course, aircraft, radio, television, and the almost uncharted field of atomic energy.

They may be used to measure or record the changing physical characteristics of solids, liquids, or gases. They may test manufactured products at selected stages for size, composition, colour, or purity. In addition, the instrument readings may be fed back for the automatic control of the processing machinery itself. Some control devices for correcting automatically any deviation from standard have proved far more accurate and prompt than any possible control by human hands.

Modern Miracles

A particular instrument may be an electronic device to control an atomic reactor pile, to inspect tin plate being rolled in a steel mill, to detect impurities in peanut packing, to X-ray canned beer in a brewery —or it may be some entirely different, non-electronic type. It may direct a massive machine tool through its intricate cycle, analyse continuously the chemical composition of hot gas, or solve complex mathematical equations in a flash. Also it may count out 100 pills into a bottle, time the right exposure for a photographic print, cause an elevator to stop level with the floor, check merchandise inventories, monitor the operations of a remote plant, or locate a school of fish in the ocean.

Some recently completed plants in this country are so fully equipped with automatic controls that, pro-

From Monthly Letter, National City Bank of New York, October 1953

perly set up and fed, they practically run themselves.

When the oil industry, in its efforts to meet the nation's unprecedented demand for petroleum products last year, drilled a record 44,388 new wells, electronic equipment for seismographic analysis helped in locating oil formations. In unproven areas especially, the wells located on this scientific basis were several times as successful in bringing in oil as the 'wildcats' drilled without such guidance.

Meet the Transistor

A promising new development is the transistor, a tiny electronic device made of the rare metal germanium or certain other elements. It does about the same work as a vacuum tube in many applications but takes up much less space, uses much less current, generates almost no heat, and lasts almost indefinitely. Transistors are making possible electronic equipment of smaller, lighter and more durable design. In the laboratories the quest is on to improve the performance and widen the horizons of use.

A few days ago the U.S. Navy and National Bureau of Standards jointly unveiled a project in co-operation with private manufacturers for the automatic mass production of resistors and condensers needed in radio and other electronic instruments. The units, in the form of miniature ceramic wafers, have circuits printed in metallic paint in place of conventional wires for conducting the current when they are stacked together. Such standardisation of parts for assembly automatically is expected to bring about substantial savings in the time, materials, and skilled labour heretofore required for manufacturing, hand assembling, wiring, soldering connections, and testing at every stage of the process.

Science of 'Instrumentation'

The instruments have been refined in scope and accuracy far beyond comparison with the best available a few years ago. Temperatures may be closely controlled at ranges up to 7,000 degrees F. and down to the approach of absolute zero at minus 459.6 degrees F. Electric current may be measured in millionths of a millionth of an ampere. Some laboratory instruments will measure pressures up to 50,000 pounds per square inch, while others will measure the minute pressure in an almost complete vacuum expressed in millimicrons (billionths of a meter) of mercury. 'Instrumentation' has taken its place as an important new science, with its technical trade journals and professional membership association.

Supplying these new tools to industry has itself become a sizeable industry—or group of highly specialised industries.

Impressive Sales Figures

During the past several years many new companies have been organised, most of them family or closely-held corporations that do not release financial information. A limited number, however, have begun publication of regular statements or filed registration statements with the Securities and Exchange Commission as a result of the widening distribution of their stock ownership or their need to attract additional capital—equity or borrowed. A group of twenty-five such concerns shows combined sales in 1952 amounting to $277 million, a gain of 22 per cent

concluded on page 572

New Books Reviewed

The Political Element in the Development of Economic Theory by Gunnar Myrdal, Routledge & Kegan Paul Ltd, London, 25/-.

Nobody doubts the great ability of Dr Gunnar Myrdal, and nobody can doubt his influence in the affairs of the modern world since he is the active and resourceful Executive Secretary of the Economic Commission for Europe. This book is an English edition of a work first published in Swedish and German twenty-one years ago, and it is a notable book indeed, written in 1929, that can stand reissue in 1953. In fact Dr Myrdal does not make, and does not need to make, any elaborate *apologia*. It is mainly evidence of the obvious fact that he was then twenty-four years younger that he now has to say: 'The implicit belief in the existence of a body of scientific knowledge acquired independently of all valuations is, as I now see it, naive empiricism. Facts do not organise themselves into concepts and theories just by being looked at; indeed, except within the framework of concepts and theories, there are no scientific facts but only chaos. There is an inescapable *a priori* element in all scientific work. Questions must be asked before answers can be given.' The article by Dr Gunnar Myrdal on 'The Sociologist and the Politician', published in *Economic Digest*, July 1953, can be regarded as a postscript to this interesting book. A further postscript is the Appendix on 'Recent Controversies' by the translator, Paul Streeten, included in the edition.

Studies in Econometric Method, edited by William C. Hood and Tjalling C. Koopmans, John Wiley & Sons, Inc., New York; Chapman and Hall, London, $5.40, 44/-.

This is monograph No. 14 in the series published for the Cowles Commission for Research in Economics and, like number 10 in the series by the same editors, it is produced for the user of statistical methodology in economics. That is to say it is of great value to a small audience, the members of whom will be grateful to the Rockefeller Trust for making research and publication possible.

An Introduction to Statistics, by Charles E. Clark. John Wiley & Sons, Inc., New York, Chapman and Hall, Ltd, London, 34/-.

Although an 'introduction' this book is not meant primarily to be a class textbook. It is written rather for the workers in various fields of investigation who need to use statistics without themselves being statisticians; and the author goes as far as any man could (without a blush) to meet the reader 'who does not have the time or mathematical background to master the necessary statistical theory'. Quite often—probably more often than he hoped—the author finds it necessary to choose between watering down what needs to be said, and demanding rather more of the non-mathematical reader than he promised. In such a situation he very properly gets on with his job, dragging the reluctant mathematicians with him; which doubtless will do them a power of good. Even if they dodge they will find in the end that the book has at least given them a pretty clear view of the processes of thought and argument of their statistical colleagues. The author is associate professor of Mathematics in Emory University.

Government's Role in Economic Life, by George A. Steiner, McGraw-Hill Publishing Company, Inc., New York, Toronto, London, $6.00; 51/-.

The author, who is professor of Economics in the University of Illinois, says that he 'undertook to write this book with reluctance and humility', and that is not to be wondered at. Now that he surveys the finished work he may do so with satisfaction and pride. The magnitude of the task is evident from the title, and one of the many strands of complexity derives from the great difficulty of dispassionate assessment of principles involved in passionate and often ill-informed current political controversy. In short, the author who essays a task like this needs a universal mind and immaculate judgement. Since the author had to be chosen among men and not among gods, it is to be doubted whether any man could have done a better job. Professor Steiner displays very wide knowledge and scholarly judgement, and contrives not to write a single polemical sentence. Although he is primarily addressing American students and citizens, almost all of what he has to say is relevant in Britain and elsewhere.

Business Finance, by F. W. Paish, Sir Isaac Pitman & Sons, Ltd, London, 12/6.

Whence—and under what conditions—will the necessary finance be forthcoming for the improvement and extension of the equipment of British industry? Private savings are hopelessly inadequate. Government supplies through its own budget sur-

pluses and loans and gifts from the other side of the Atlantic filled in the gap for a period, but increased defence spending and the drying up of credits from abroad have pretty well closed that chapter. Can the job be done at all with taxation at its present or prospective level?

It is in this context that Professor Paish has tackled the job of at least making the facts of the situation clear first to his own students at London University, now to a wider public. The urgency of the problem is not to be doubted. It is something on the sunny side that both the Conservative party in power and the Labour party hoping for power are showing themselves aware of the problem, so that there should be a wide readership for this important study. Perhaps it may help to induce a moderation of the campaigning programmes of both parties if they really learn the lessons that are here set forth.

Professor Paish—and there is nobody abler in this field—has performed a valuable public service in publishing this book at this moment.

International Trade 1952, *G.A.T.T., Geneva, H.M.S.O., London.*

An admirable report if somewhat depressing: depressing because GATT is a monument to international good intentions, and its reports necessarily a story of bad behaviour. Perhaps the story would have been better if the expectation had been realised that 'after a transitional period during which the war-time maladjustments would gradually be eliminated, international trade would revert to a situation similar to that of the pre-war period when no extraordinary measures of financial assistance were necessary to maintain the level of trade'. What actually happened instead of this reversion to 'normalcy' is set forth in the first part of the report, and the story could easily have been worse. Gloom descends upon the reader in the second and third parts of the report, which are concerned with 'Barriers and Controls in International Trade' and 'Activities of the Contracting Parties'.

Education and Training in the Field of Management, British Institute of Management, London, 7/6.

A valuable reference book which sets forth the facilities available for training in the arts of management in universities and colleges in Great Britain. A later volume is to deal similarly with complementary courses at residential institutions, extra-mural establishments, trades unions, and the like.

Wages, Prices and Social Legislation in the Soviet Union, by Lief Bjork, Dennis Dobson Ltd., London, 18/-.

This is a fairly detailed picture of certain aspects of the Soviet economy by a Swede who has made several visits to Moscow as interpreter for the Swedish T.U.C. delegations. The material is drawn from Russian sources and is accepted at its face value. Legislation governing the matters under review is comprehensive, but we are not told how far the legislation is enforced, how many are excluded from its benefits. Within the limits accepted by the author the book is worth reading.

FRONTIERS OF INDUSTRY (*continued from page* 570)

over 1951. This contrasts with a gain of only 3 per cent for the manufacturing industries as a whole.

The marked strides made by the younger companies does not mean that the large and old-established companies interested in the same fields have been idle. Leading organisations which also have been spending vast sums for research and development work comprise a long list including numerous well-known companies, each having total sales exceeding $100 million annually, such as Admiral, Allis-Chalmers, American Telephone, Bendix Aviation, Burroughs, General Electric, International Business Machines, International Telephone, Minneapolis-Honeywell, Motorola, National Cash Register, Philco, Radio Corporation, Raytheon, Remington-Rand, Sperry, Sylvania, Westinghouse Electric, and Zenith.

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